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MONTANA MEDICAL LEGAL PANEL

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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MONTANA MEDICAL LEGAL PANEL

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003

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LEGISLATIVE AUDIT DIVISION

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James Gillett, Financial-Compliance Audit

June 13, 2005

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Montana Medical-Legal Panel, Montana Supreme Court, for the year ended December 31, 2004.

The audit was conducted by Henry Fenton, CPA, under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

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(05C-01)

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MONTANA MEDICAL LEGAL PANEL

ADMINISTRATIVE OFFICIALS

G. Brian Zins	Director
Kathleen Stepp	Assistant Director

MONTANA MEDICAL LEGAL PANEL
December 31, 2004

SUMMARY OF RECOMMENDATIONS

There were no recommendations for the year ended December 31, 2004.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no recommendations for the year ended December 31, 2003.

HENRY FENTON
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

June 15, 2005

Mr. G. Brian Zins, Director
Montana Medical Legal Panel
2021 Eleventh Avenue
Helena, Mt. 59601

I have audited the accompanying statement of assets, liabilities, and surplus arising from cash transactions of the Montana Medical Legal Panel as of December 31, 2004 and 2003, and the related statement of revenues collected, expenses paid, and changes in surplus arising from cash transactions for the two years then ended. These financial statements are the responsibility of the management of the Montana Medical Legal Panel. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Montana Medical Legal Panel's policy is to prepare its financial statements on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and surplus arising from cash transactions of the Montana Medical Legal Panel as of December 31, 2004 and 2003 and its revenues collected, expenses paid, and changes in surplus for the two years then ended, on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, I have also issued a report dated June 15, 2005 on my consideration of the Montana Medical Legal Panel's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Sincerely,

Henry Fenton
Certified Public Accountant

MONTANA MEDICAL LEGAL PANEL
STATEMENT OF ASSETS, LIABILITIES, AND SURPLUS
ARISING FROM CASH TRANSACTIONS
DECEMBER 31, 2004 AND 2003

	2004	2003
ASSETS		
Current assets:		
Cash in bank	$212,212	$177,292
Reimbursements receivable	-	255
Total current assets	$212,212	$177,547
LIABILITIES AND SURPLUS		
Surplus	$212,212	$177,547

See accompanying notes to financial statements.

MONTANA MEDICAL LEGAL PANEL
STATEMENT OF REVENUES COLLECTED, EXPENSES PAID, AND CHANGES IN SURPLUS
ARISING FROM CASH TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
Income:		
Assessment fees	$743,740	$696,916
Interest income	2,028	2,792
Miscellaneous income	1,761	376
Total income	747,529	700,084
Expenses:		
Administrative	236,748	256,278
Panelist hearing time	99,118	106,843
Panelist preparation and travel time	49,843	55,792
Panelist travel	69,409	79,747
Meeting rooms	9,864	10,665
Records reproduction	65,311	39,480
Postage	26,817	22,822
Medical records and x-rays	31,243	27,947
Telephone	7,154	7,557
Office supplies	4,641	5,169
Panel legal counsel	101,997	71,619
Computer software	-	6,000
Liability insurance	3,144	3,516
Temporary personnel	4,491	-
Miscellaneous	3,084	4,895
Total expenses	712,864	698,330
Net income (loss)	34,665	1,754
Surplus, January 1st	177,547	175,793
Surplus, December 31st	212,212	177,547

See accompanying notes to financial statements.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The Panel was established by the "Montana Medical Legal Panel Act", as authorized by Section 27-6-101 and 104 M.C.A. The Panel is attached to the Montana Supreme Court for administrative purposes only, except that 2-15-121(2) M.C.A. does not apply.

The Panel was created to review all malpractice claims or potential claims against health care providers for the purpose of preventing, where possible, the filing of court actions against health care providers and their employees for professional liability in situations where the facts do not permit at least a reasonable inference of malpractice and to make possible the fair and equitable disposition of such claims against health care providers as are or reasonably may be well founded.

Cash Basis

The Panel follows the cash basis of accounting whereby items of expense are recognized as cash is paid and revenues are recognized when cash is received. This is a comprehensive basis of accounting other than generally accepted accounting principles.

Assessment Fees

Annual assessments are levied against licensed physicians, dentists, podiatrists, hospitals, and other health care facilities in an amount sufficient to meet all panel costs. Annual assessments are apportioned among each group of health care providers according to the number of claims brought against each type of provider.

NOTE 2. CASH DEPOSITS

Cash in bank consists of the following deposit accounts:

	2004	2003
Valley Bank - checking	$ 9,342	$ 122,334
US Bank - savings	4,038	20,798
American Federal Savings Bank - savings	95,251	11,667
First Interstate Bank - savings	6,214	6,078
First Security Bank - savings	6,010	5,748
Mountain West Bank - savings	91,357	10,667
	$ 212,212	$ 177,292

Individual accounts are insured up to $100,000. The excess over the insured amount in the Valley Bank checking account at December 31, 2003 was transferred to another account on January 5, 2004.

NOTE 3. RELATED PARTIES

G. Brian Zins is director of both the Montana Medical Association and the Montana Medical Legal Panel. The Montana Medical Association bills the Montana Medical Legal Panel for services and facilities provided to that organization. This administrative fee is subject to the approval of the Chief Justice of the Montana Supreme Court. The Montana Medical Association was paid administrative fees of $236,748 in 2004 and $256,278 in 2003.

NOTE 4. RISK MANAGEMENT

The Panel is exposed to risk of loss primarily through possible errors and omissions pertaining to claims filed with the Panel. This risk is transferred through the purchase of a professional liability policy from a private insurance carrier.

HENRY FENTON
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 15, 2005

Mr. G. Brian Zins
Montana Medical Legal Panel
2021 Eleventh Avenue
Helena, Mt. 59601

I have audited the financial statements of the Montana Medical Legal Panel as of and for the two years ended December 31, 2004, and 2003 and have issued my report thereon dated June 15, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Montana Medical Legal Panel's financial statements are free of material misstatement , I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered the Montana Medical Legal Panel's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in

4185 North Montana Avenue #3 Helena, Montana 59602

the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be a material weakness.

This report is intended solely for the information and use of the legislative audit committee, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Henry Fenton
Certified Public Accountant

MONTANA MEDICAL LEGAL PANEL

2021 Eleventh Avenue, Suite 1, Helena, Montana 59601-4890

Telephone (406) 443-1110 · FAX (406) 443-4042

June 16, 2005
Thursday

Mr. Scott A. Seacat
Legislative Auditor
P. O. Box 201705
Helena, Montana 59620-1705

Dear Mr. Seacat:

As Director of the Montana Medical Legal Panel, I am corresponding with you about the recently completed audit of the Panel by Henry Fenton, C.P.A.

We have reviewed the audit and believe it accurately represents the financial records of the Panel for the 2004 fiscal year.

All best wishes.

Sincerely,

G. Brian Zins
Director

GBZ:tj